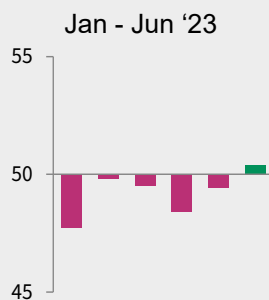


BNP Paribas Real Estate Ireland Construction PMI[®]

Renewed upturn in the Irish construction sector

Ireland Construction Total Activity Index



First increase in activity since September 2022

Sustained and quicker growth in new orders and employment

Input cost pressures retreat to 35-month low

Ongoing demand resilience assisted in bringing the Irish construction sector out of its recent soft patch at the end of the second quarter of the year. Expansions in new orders and employment both quickened to reach paces that were the fastest since March. Elsewhere, the inflationary environment continued to cool, as highlighted by the weakest rise in input costs since August 2020. By contrast, supply chain delays continued, and to a larger extent.

While activity returned to growth, some of the other indicators from the latest survey were slightly less positive. Firms scaled back input buying for the first time since January and business sentiment weakened.

The headline seasonally adjusted BNP Paribas Real Estate Ireland Construction Total Activity Index moved above the neutral 50.0 threshold in

June to signal a fresh expansion in activity levels. Coming in at 50.4, rising from 49.4 in May, the latest PMI headline figure was consistent with the first upturn in activity since September 2022. Albeit only slight, the rate of growth was the most pronounced in more than a year. However, uneven growth trends across the monitored sectors remained evident. A sustained rise in commercial activity continued to drive the wider uplift while housing activity fell again, albeit at a softer pace.

Panel members often mentioned that growth in activity reflected a more favourable demand environment. This notion was underscored by a fifth successive monthly expansion in new orders placed at Irish construction firms. While still only marginal, the rate of growth ticked-up to a three-month high.

BNP Paribas Real Estate Ireland Construction Total Activity Index

sa, >50 = growth since previous month



Contents

[Overview](#)

[Comment](#)

[Activity by sector](#)

[Demand, jobs and outlook](#)

[Purchasing](#)

[Subcontractors](#)

[Survey methodology](#)

[Further information](#)

Overview continued...

To accommodate increasing activity levels and new order growth, Irish construction companies expanded their workforce numbers for the sixth straight month. The rate of employment growth was the most pronounced since March, albeit only modest overall.

Reduced demand for inputs served to lower cost pressures during June. While still increasing strongly, input prices rose at a rate that was among the weakest in the current 38-month sequence of inflation.

By contrast, supply pressures continued to build and to a greater extent than seen in May.

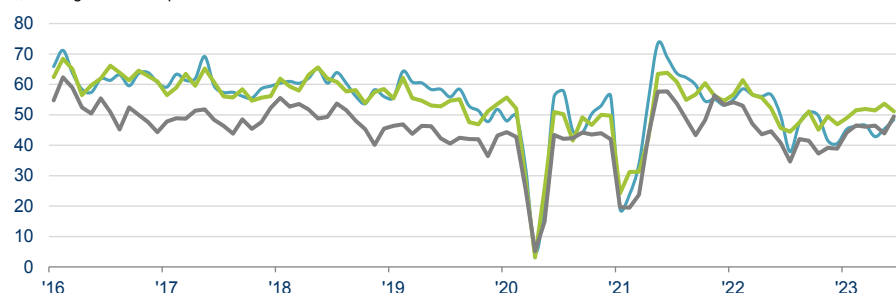
Despite positive trends seen elsewhere in the sector, Irish construction firms

trimmed back their purchasing activity during June. The reduction was only slight but the first since January. When explaining the renewed decrease in input buying, firms mentioned sufficient stock holdings and concerns around the potential for a market slowdown.

Finally, companies operating within the Irish construction sector foresee growth in activity levels over the coming year. Opportunities for growth centred around general hopes for a boost in demand. That said, the degree of confidence was historically subdued and the joint-weakest in the year so far. Firms were reportedly concerned about the current inflationary environment.

Activity Index by sector

sa, >50 = growth since previous month



Comment

Commenting on the latest survey results, John McCartney, Director & Head of Research at BNP Paribas Real Estate Ireland, said:

“Construction activity rose in June for the first time since last September. However, this has been coming for a while, with building firms consistently reporting increased new orders and staffing levels since the start of this year.

“The pick-up reflects two factors; Firstly, cost pressures have retreated to their lowest level for 35 months. Secondly, population growth, the strong economy, Government supports and increased demand for green buildings continue to underpin the value of newly constructed properties – particularly new homes

and warehouses.

“Residential activity edged lower for the ninth successive month, but the rate of contraction continues to diminish. Viability remains challenging, particularly for apartments. However, new homes inflation of 11.1 percent per annum (compared with 3.5 percent for second-hand dwellings) is helping to offset the impact of rising costs, and we expect 30,000 completions this year.”

Activity by sector

Residential

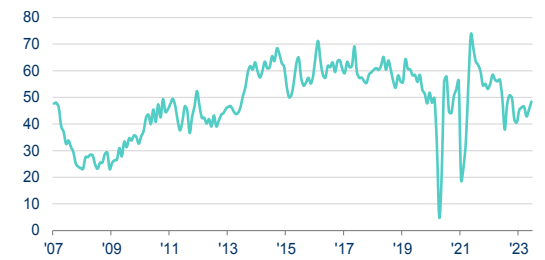
June data highlighted a sustained drop in housing activity in the Irish construction sector, as signalled by the respective seasonally adjusted index posting below the neutral 50.0 mark for the ninth straight month. The rate of decline, however, eased to a modest pace that was the weakest since October 2022.

Housing Activity Index

48.4

sa, >50 = growth since previous month

Jun '23



Commercial

Commercial building remained the only segment to record an expansion in activity during June and hence was again the best performing of the three categories monitored. That said, the rate of growth was the weakest in the current five-month sequence of increase and only marginal overall.

Commercial Activity Index

51.1

sa, >50 = growth since previous month

Jun '23



Civil Engineering

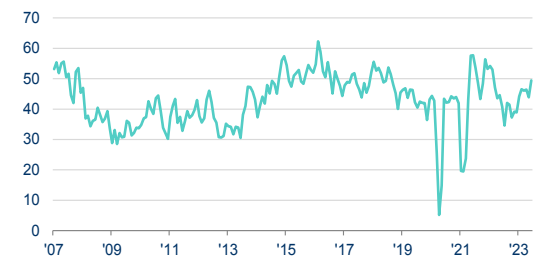
Irish construction companies signalled a further fall in the level of civil engineering activity during June, thereby stretching the current sequence of decrease to 16 consecutive months. However, having slowed to the softest over this period, the latest reduction in output was only slight.

Civil Engineering Activity Index

49.4

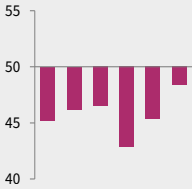
sa, >50 = growth since previous month

Jun '23



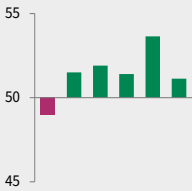
Housing Activity Index

Jan - Jun '23



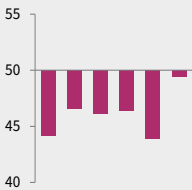
Commercial Activity Index

Jan - Jun '23



Civil Engineering Activity Index

Jan - Jun '23



Demand and jobs

New orders

The seasonally adjusted New Orders Index posted above the neutral 50.0 threshold in June to signal a fifth successive uplift in the volume of new orders received by Irish construction firms. Latest data pointed to another slight acceleration in the speed of new order growth, although the rate of increase remained only marginal overall. Anecdotal evidence suggested that expanding new order books reflected a resilient demand environment.

Employment

June data was indicative of another expansion in workforce numbers across the Irish construction sector, the sixth increase in as many months. Moreover, the rate of job creation quickened for the second month running to reach a pace that was the most pronounced since March. Reportedly, firms looked to add to their staffing levels in response to new order growth.

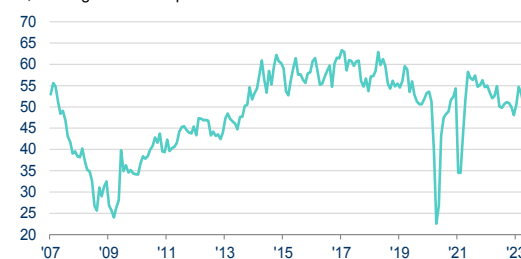
New Orders Index

sa, >50 = growth since previous month



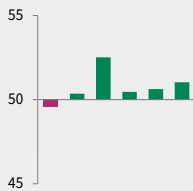
Employment Index

sa, >50 = growth since previous month



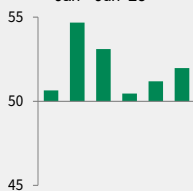
New Orders Index

Jan - Jun '23



Employment Index

Jan - Jun '23



Business expectations

Irish construction firms retained an overall sense of optimism at the end of the second quarter of the year. Positive assessments were largely underpinned by hopes for a sustained improvement in demand. An increasing number of renewable energy projects was also cited as a reason to be optimistic.

That said, amid inflationary concerns, the degree of confidence moderated from May and was the joint-weakest in the year thus far.

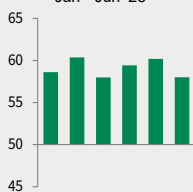
Future Activity Index

>50 = growth expected over next 12 months



Future Activity Index

Jan - Jun '23



Purchasing

Quantity of purchases

Companies operating within the Irish construction sector noted a fresh decline in their purchasing activity during June. Albeit only slight overall, this was in contrast to increases seen in each of the four prior months. Anecdotal evidence suggested that the scaling back in input buying was a result of sufficient stock holdings, high costs and worries of a potential softening of market conditions.

Suppliers' delivery times

The quality of suppliers to the Irish construction sector deteriorated in June, thereby extending the current sequence of lengthening lead times to 12 years. Albeit considerably softer than during the worst of the recent supply chain disruption, the extent to which lead times worsened was strong overall and more pronounced than in May.

Input prices

As has been the case on a monthly basis since May 2020, average operating expenses faced by Irish construction firms increased during June. Though still strong overall, the rate of input cost inflation was among the weakest in the current 38-month sequence of inflation.

Quantity of Purchases Index

sa, >50 = growth since previous month



Suppliers' Delivery Times Index

sa, >50 = faster times since previous month



Input Prices Index

sa, >50 = inflation since previous month



Items up in price

- Cement
- Copper
- Fuel
- Graphic Supplies
- Mechanical Pipework
- Printing Supplies
- Shower Trays
- Steel
- Timber

Items down in price

- Aluminium
- Doors
- Explosives
- Insulation
- Reinforcement
- Shipping
- Steel
- Timber
- Wages

Items in short supply

- Clay
- Joinery
- Raw Materials

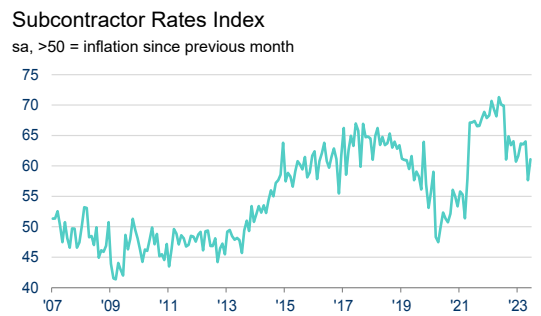
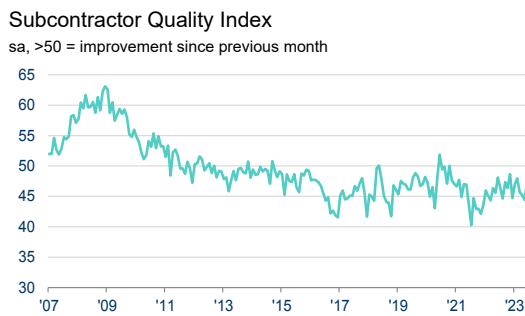
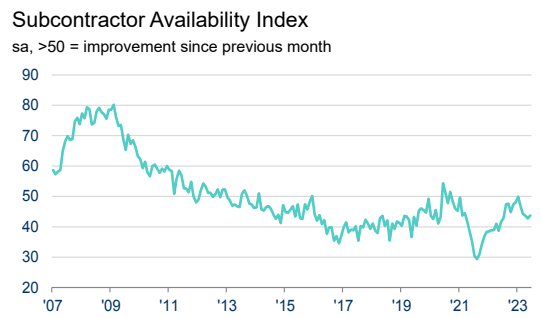
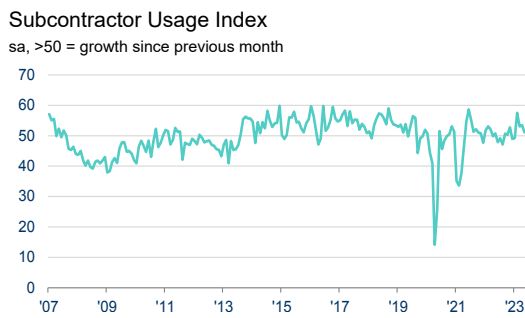
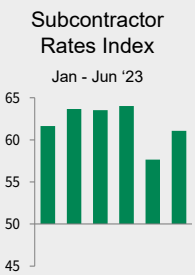
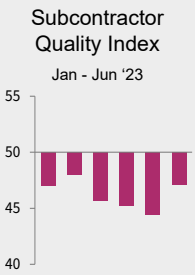
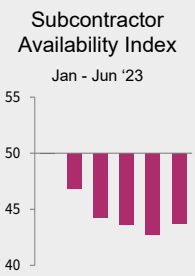
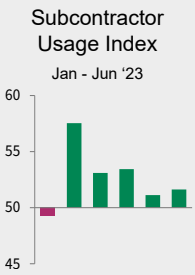
Subcontractors

Subcontractor usage increased for the fifth month in a row during June and at an accelerated rate. As such, subcontractor availability declined at a marked pace.

Meanwhile, following May's 26-month low, the inflation of rates charged by subcontractors picked up and was substantial overall. This was despite their quality being deemed to have deteriorated again.

Subcontractors in short supply

Block Layers	Groundworkers
Carpenters	Joiners
Digger Drivers	Partitioners
Ecologists	Plasterers
Fishers	Plumbers
Flooring Fitters	Roofers
Geohydrologists	Tilers



Survey panel size

150

construction firms

Index calculation

$$\begin{aligned}
 & \% \text{ 'Higher' } \\
 & + \\
 & \frac{(\% \text{ 'No change'})}{2} \\
 & + \\
 & (\% \text{ 'Lower'}) \times 0
 \end{aligned}$$

Survey methodology

The BNP Paribas Real Estate Ireland Construction PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 150 construction companies. The panel is stratified by company workforce size, based on contributions to GDP.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Total Activity Index. This is a diffusion index that tracks changes in the total volume of construction activity compared with one month previously. The Total Activity Index is comparable to the Manufacturing Output Index and Services Business Activity Index. It may be referred to as the 'Construction PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Survey dates and history

Data were collected 12-29 June 2023.

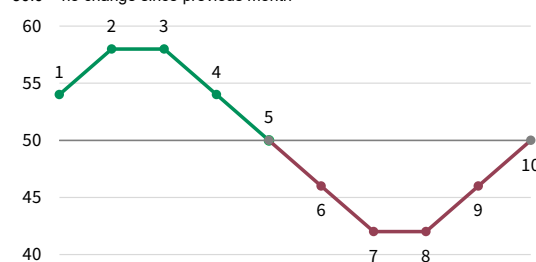
Survey data were first collected June 2000.

Survey questions

Total activity	Quantity of purchases
Housing activity	Suppliers' delivery times
Commercial activity	Input prices
Civil engineering activity	Subcontractor usage
New orders	Subcontractor availability
Employment	Subcontractor quality
Future activity	Subcontractor rates

Index interpretation

50.0 = no change since previous month



1 Growth	6 Decline, from no change
2 Growth, faster rate	7 Decline, faster rate
3 Growth, same rate	8 Decline, same rate
4 Growth, slower rate	9 Decline, slower rate
5 No change, from growth	10 No change, from decline

Sector coverage

Construction PMI data include responses from companies operating in the entire construction sector, including the following ISIC Rev.4 codes:

41 Construction of buildings	electricity and telecommunications	43.29 Other construction installation
41.10 Development of building projects	42.91 Construction of water projects	43.31 Plastering
41.20 Construction of residential and non-residential buildings	42.99 Construction of other civil engineering projects n.e.c.	43.32 Joinery installation
42 Civil engineering	43 Specialised construction activities	43.33 Floor and wall covering
42.11 Construction of roads and motorways	43.11 Demolition	43.34 Painting and glazing
42.12 Construction of railways and underground railways	43.12 Site preparation	43.39 Other building completion and finishing
42.13 Construction of bridges and tunnels	43.13 Test drilling and boring	43.91 Roofing activities
42.21 Construction of utility projects for fluids	43.21 Electrical installation	43.99 Other specialised construction activities n.e.c.
42.22 Construction of utility projects for	43.22 Plumbing, heat and air-conditioning installation	

Contact

John McCartney
Director & Head of Research
BNP Paribas Real Estate Ireland
T: +353 (0) 1 661 1233
M: +353 87 974 8485
john.mccartney@bnpparibas.com

www.realestate.bnpparibas.ie

Priya Chavva
Business & Marketing Coordinator
BNP Paribas Real Estate Ireland
T: +353 (0) 1 661 1233
M: +353 87 960 4985
priya.chavva@bnpparibas.com

Sabrina Mayeen
Corporate Communications
S&P Global Market Intelligence
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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